

Message Text

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E.O. 11652: N/A
TAGS: ENRG, EALR, MY
SUBJECT: PETRONAS CHAIRMAN ADDRESSES ROLE OF PETROLEUM IN MALAYSIAN
ECONOMY

1. SUMMARY: THIS MESSAGE REPORTS THE FIRST PUBLICLY EXPRESSED
VIEWS OF THE RECENTLY APPOINTED CHAIRMAN OF PETRONAS ON
THE ROLE OF PETROLEUM IN THE MALAYSIAN ECONOMY.

2. IN LUNCHEON ADDRESS ON DECEMBER 11, PETRONAS CHAIRMAN
TAN SRI ABDUL KARIR SHAMSUDDIN MADE FOLLOWING POINTS ON ROLE OF
PETROLEUM IN MALAYSIAN ECONOMY. PETROLEUM INDUSTRY WILL PLAY
IMPORTANT ROLE IN PROVIDING FUNDS FOR SOCIAL AND ECONOMIC
DEVELOPMENT IN MALAYSIA. AVERAGE CRUDE OIL PRODUCTION OF
90,000 BPD IN 1975 YIELDED TO FEDERAL GOVERNMENT INCOME TAX
REVENUE OF M\$300 MILLION, THAT PRESENT PRODUCTION IS ABOUT
170,000 BPD AND THAT 200,000 BPD COULD "SAFELY" BE ASSUMED AS
AVERAGE DURING TERM OF THIRD MALAYSIA PLAN WHICH MEANS TAX
RECEIPTS FROM CRUDE PRODUCTION OF ABOUT M\$700 MILLION PER
YEAR DURING PLAN. THAT IN ABOUT ONE YEAR, PRODUCTION OFFSHORE
KELANTAN AND TRENGGANU WILL PROVIDE EMPLOYMENT AND SERVICE
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OPPORTUNITIES IN THOSE STATES.

3. INCREASING IMPORTANCE OF PETROLEUM AND PETROLEUM PRODUCTS
TO FOREIGN EXCHANGE EARNINGS, CITING 1966 RECEIPTS OF M\$104
MILLION, 1975 RECEIPTS OF M\$870 MILLION AND EXPECTED ANNUAL
RECEIPTS OF M\$2,200 MILLION BY 1980.

4. ESTABLISHMENT OF FERTILIZER PLANT IN SARAWAK WILL PROVIDE CHEAP AREA AND NITROGENOUS FERTILIZERS ADEQUATE TO MALAYSIAN FARMERS NEEDS, AND THAT SIXTY PERCENT OF PRESENT 90,000 TON ANNUAL CONSUMPTION OF NITROGENOUS FERTILIZER IS IMPORTED. WITH FERTILIZER CONSUMPTION IN REGION INCREASING 18 PERCENT PER YEAR AND MALAYSIAN CONSUMPTION EXPECTED TO INCREASE AT EVEN HIGHER RATE, PLANT WILL SAVE IMPORT EXCHANGE COSTS OF M\$30 MILLION PER YEAR AND WILL EARN FOREIGN EXCHANGE BY SUPPLYING EXTERNAL MARKETS. GOM HOPES TO PROVIDE FERTILIZER DOMESTICALLY AT LESS THAN LIKELY FUTURE INTERNATIONAL PRICE LEVEL TO REDUCE FARMER'S INPUT COSTS AND TO ACHIEVE SELF-SUFFICIENCY IN FOOD PRODUCTION. AMMONIA PRODUCED BY PLANT SHOULD PROMOTE DEVELOPMENT OF OTHER PETROCHEMICAL INDUSTRIES IN MALAYSIA.

5. SARAWAK LNG PLANT EXPECTED COST M\$2 BILLION AND WILL PRODUCE SIX MILLION TONS GAS PER YEAR FOR EXPORT WITH VALUE OF M\$1,700 MILLION. DOMESTIC USE OF NATURAL GAS COULD ALSO RESULT IN LARGE INDUSTRIAL COMPLEX IN SARAWAK.

6. HE NOTED THAT MASTER PLAN STUDY NOW BEING UNDERTAKEN IS EXAMINING RANGE OF OPTIONS FROM EXPORT OF CRUDE GAS AND OIL THROUGH ESTABLISHMENT OF INDUSTRIES IN MALAYSIA.

7. MALAYSIAN ECONOMY WILL BENEFIT FROM INCREASED USE OF LOCAL GOODS AND SERVICES. THOUGHT NOW BEING GIVEN TO MALAYSIAN SUPPLY BASES, FABRICATION FACILITIES, SHIP REPAIR AND CONSTRUCTION OF OFFSHORE CRAFT. KUANTAN, JOHORE BAHRU, LABUAN, KUCHING AND KUDAT EXPECTED BENEFIT DIRECTLY.
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8. RECENTLY SIGNED PRODUCTION SHARING AGREEMENTS ARE ATTRACTIVE TO COMPANIES BUT ALSO PROVIDE MALAYSIA A MORE EFFECTIVE SYSTEM OF EXPLORATION, MORE EFFECTIVE CONTROL BY PETRONAS OF EXPLORATION AND PRODUCTION, POSSIBILITIES TO UTILIZE MALAYSIAN GOODS AND SERVICES, AN OPPORTUNITY FOR PETRONAS TO PARTICIPATE IN MARKETING OF OIL INTERNATIONALLY, AND OPTION FOR PETRONAS TO SELL CRUDE OIL AND NATURAL GAS IN LOCAL MARKET OR AS FEEDSTOCK FOR PRODUCTION OF PETROCHEMICALS AND FERTILIZERS.

9. GOVERNMENT HAS CLEARLY LAID OUT NATIONAL PETROLEUM POLICY WITH OBJECTIVES: (1) TO PUT TO GOOD USE PETROLEUM RESOURCES OF COUNTRY, AS FIRST PRIORITY TO SERVICE NATIONAL NEEDS BY MAKING AVAILABLE ADEQUATE SUPPLIES AT REASONABLE PRICES TO MEET DOMESTIC CONSUMPTION INCLUDING REQUIREMENTS OF POWER, INDUSTRY AND AGRICULTURE, (2) TO ENHANCE FAVOURABLE INVESTMENT CLIMATE OF COUNTRY BY OPENING NEW OPPORTUNITIES FOR ESTABLISHMENT

OF HEAVY ENERGY-USING AND PETROCHEMICAL INDUSTRIES BOTH FOR DOMESTIC AND EXPORT MARKET, (3) TO TAKE ADVANTAGE OF OPTION OF INCREASING REVENUE AND EXPORT EARNINGS BY EXPORT OF OIL AND GAS TO OVERSEAS MARKETS, (4) TO ENSURE THAT MALAYSIANS ARE ADEQUATELY REPRESENTED IN TERMS OF OWNERSHIP, MANAGEMENT AND CONTROL IN ALL PHASES OF PETROLEUM OPERATIONS RANGING FROM EXPLORATION TO MARKETING AND DISTRIBUTION AT BOTH THE LOCAL AND INTERNATIONAL LEVELS, AND (5) TO EFFECT AN OPTIMAL SOCIAL AND ECONOMIC PACE OF EXPLORATION OF NATION'S ENDOWMENT OF EXHAUSTIBLE OIL AND NATURAL GAS RESOURCES, TAKING INTO ACCOUNT NEED FOR CONSERVATION OF THESE DEPLETABLE ASSETS AND PROTECTION OF THE ENVIRONMENT.

10. COMMENT: THESE REMARKS BY PETRONAS CHAIRMAN KARIR ARE THE MOST COMPREHENSIVE PUBLIC EXPRESSION THUS FAR OF GOM'S OBJECTIVES AND PRIORITIES REGARDING PETROLEUM AND PROVIDE PERSPECTIVE ON THE IMPORTANCE TO THE GOM OF THE RECENTLY-SIGNED PRODUCTION SHARING AGREEMENTS. THE DEVELOPMENT
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OF THESE PROJECTS SHOULD CAUSE GAS AND OIL TO BECOME IN MID-TERM THE LEADING MALAYSIAN EXPORT BY A CONSIDERABLE MARGIN, PARTICULARLY SINCE IT APPEARS THAT THE 200,000 BPD AVERAGE PRODUCTION EXPECTED DURING THE TMP WILL BE EXCEEDED BY A SIGNIFICANT MARGIN.
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